GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:386
ANSWERED ON:11.07.2014
GUARANTEE FOR NRI INVESTMENTS
Dhruvanarayana Shri Rangaswamy

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has allowed banks to stand guarantee on behalf of non-residents acquiring share of an Indian Company through open offers without its prior approval; and

(b) if so, the details thereof and the reaction of the Government thereto?

Answer

The Minister of State in the Ministry of Finance (SMT. NIRMALA SITHARAMAN)

(a) & (b): Reserve Bank of India (RBI) has informed that in order to provide operational flexibility and ease the procedures, it has been decided to permit Authorised Dealer (AD) Category-I banks to issue bank guarantee, without prior approval of the RBI, on behalf of a non-resident acquiring shares or convertible debentures of an Indian company through open offers / delisting / exit offers, provided:

i) the transaction is in compliance with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) [SEBI (SAST)] Regulations;

ii) the guarantee given by the (AD) Category-I bank is covered by a counter guarantee of a bank of international repute. The guarantee shall be valid for a tenure co-terminus with the offer period as required under the SEBI (SAST) Regulations.

In case of invocation of the guarantee, the (AD) Category-I bank is required to submit to RBI, a report on the circumstances leading to the invocation of the guarantee.